

JOHN TAOLO GAETSEWE

DISTRICT MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2012

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

John Taolo Gaetsewe Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-segonyana Municipality and Joe Morolong Municipality

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor
Deputy Executive Mayor
Executive Councillor
Executive Councillor

S. Mosikatsi
S.B Gaobusiwe
O.C.Mogodi
M.E.Mochwari

MUNICIPAL MANAGER

MP Bokgwathile

CHIEF FINANCIAL OFFICER

S French-Sulliman

REGISTERED OFFICE

P.O. Box 1480
Kuruman
8460

AUDITORS

Auditor-General
Private Bag X5013
Kimberley
8300

PRINCIPLE BANKERS

ABSA Bank

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

MEMBERS OF THE JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

WARD

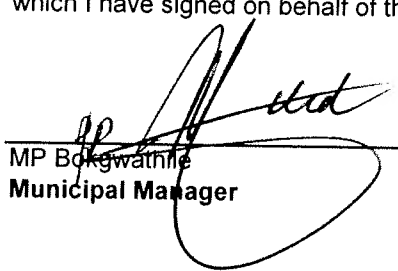
Executive Mayor
Speaker
Executive Committee
Executive Committee
Executive Committee
Executive Committee
Part Time Councillor
Part Time Councillor
Part Time Councillor
Part Time Councillor
Part Time Councillor
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Part Time Councillor
Part Time Councillor
Part Time Councillor
Part Time Councillor
Part Time Councillor
Part Time Councillor

COUNCILLOR

S Mosikatsi
B Gaobusiwe
C Mogodi
E Mochwari
GC Assegaai
OE Hantise
J Rakoi
V Makoke
A Mwembo
A van der Westhuizen
OH Kgopodithata
V Jordan
J Freeman
MG Sephekolo
MM Nhlapo
B Mosegedi
TT Tiholenyane
MAP Brink
JC Kaars
G Phetlhu

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 76 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.


MP Bokgwathile
Municipal Manager

22/11/2012
Date

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		57 025 069	113 392 384
Capital Replacement Reserve	2	573 636	275 373
Donations and Public Contribution Reserve	2	17 875 239	66 167 116
Revaluation Reserve	2	10 170 812	10 170 812
Self Insurance Reserve	2	1 250 000	1 100 000
Accumulated Surplus/(Deficit)		27 155 382	35 679 083
Non-Current Liabilities		21 639 484	21 782 119
Long-term Liabilities from continued operations	3	2 353 050	2 527 329
Long-term Liabilities from discontinued operations	3	-	1 650 843
Non-current Employee Benefits	4	19 286 434	17 603 947
Current Liabilities		15 050 301	13 143 547
Consumer Deposits	5	-	6 733
Current Employee Benefits	6	4 439 304	3 856 753
Payables from exchange transactions	7	3 205 799	2 422 667
Unspent Conditional Government Grants and Receipts	8	6 437 714	6 710 338
Taxes	9	751 428	-
Current Portion of Long-term Liabilities	3	216 056	147 057
Total Net Assets and Liabilities		93 714 855	148 318 050
ASSETS			
Non-Current Assets		54 467 857	113 262 096
Property, Plant and Equipment	11	47 996 984	110 662 611
Assets Held for Sale	12	540 139	428 308
Investment Property	13	5 600 000	1 682 000
Intangible Assets	14	325 488	484 105
Investments	15	5 246	5 073
Current Assets		39 246 998	35 055 954
Inventory	16	-	34 719
Receivables from exchange transactions	17	5 055 010	4 647 921
Receivables from non-exchange transactions	18	808 035	433 119
Unpaid Conditional Government Grants and Receipts	8	546 162	-
Taxes	9	-	1 820 385
Cash and Cash Equivalents	19.1	32 837 791	28 119 811
Total Assets		93 714 855	148 318 050

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
REVENUE			
Revenue from Non-exchange Transactions		80 299 890	111 094 563
Taxation Revenue			
Property taxes	20	-	-
Transfer Revenue		80 299 890	111 094 563
Government Grants and Subsidies	21	60 786 176	108 076 012
Contributed Property, Plant and Equipment	22	19 513 714	3 018 552
Revenue from Exchange Transactions		6 176 818	13 462 759
Rental of Facilities and Equipment	23	118 484	42 398
Interest Earned - external investments	24	1 782 736	1 840 113
Workshop Income		-	2 066 315
Other Income	25	4 275 598	9 513 933
Total Revenue		86 476 708	124 557 322
EXPENDITURE			
Employee related costs	26	(36 916 059)	(39 413 998)
Remuneration of Councillors	27	(3 566 662)	(3 399 655)
Debt Impairment	28	(100 000)	(100 000)
Depreciation and Amortisation	29	(4 372 719)	(1 031 770)
Repairs and Maintenance		(1 025 035)	(4 394 734)
Project Cost		(10 483 132)	(49 235 617)
Actuarial Losses	4	(340 504)	(3 009 848)
Finance Costs	30	(1 729 689)	(1 657 350)
Grants and Subsidies Paid	31	(76 626 158)	(53 844)
General Expenses	32	(8 665 733)	(7 946 335)
Total Expenditure		(143 825 691)	(110 243 151)
Operating Surplus for the Year		(57 348 983)	14 314 171
Gains/(Loss) on Sale of Assets	33	(1 339 552)	35 228
Profit/(Loss) on Fair Value Adjustments	34	2 318 480	317 000
Operating Surplus/(Deficit) from continued operations		(56 370 055)	14 666 399
Operating Surplus/(Deficit) from discontinued operations	35	2 740	(4 414 254)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(56 367 314)	10 252 145

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Capital Replacement Reserve R	Donations and Public Contribution Reserve R	Revaluation Reserve R	Self Insurance Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2010	173 017	65 673 395	10 439 709	950 000	24 137 216	101 373 337
Correction of Error - Note 36.6	-	-	-	-	1 766 901	1 766 901
Restated balance	173 017	65 673 395	10 439 709	950 000	25 904 118	103 140 239
Net Surplus/(Deficit) for the year	-	-	-	-	10 252 145	10 252 145
Transfer to/from CRR	981 524	-	-	-	(981 524)	-
Property, Plant and Equipment purchased	(879 168)	3 018 552	-	-	(2 139 384)	-
Capital Grants used to purchase PPE	-	-	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-	-	-
Transfer to/from Self Insurance Reserve	-	-	-	150 000	(150 000)	-
Offsetting of depreciation	-	(2 524 831)	(268 897)	-	2 793 728	-
Balance at 30 June 2011	275 373	66 167 116	10 170 812	1 100 000	35 679 083	113 392 384
Net Surplus/(Deficit) for the year	-	-	-	-	(56 367 314)	(56 367 314)
Transfer to/from CRR	1 505 308	-	-	-	(1 505 308)	-
Property, Plant and Equipment purchased	(1 207 046)	19 513 714	-	-	(18 306 669)	-
Capital Grants used to purchase PPE	-	-	-	-	-	-
Assets transfer to other municipalities	-	(66 167 116)	-	-	66 167 116	-
Transfer to/from Self Insurance Reserve	-	-	-	150 000	(150 000)	-
Offsetting of depreciation	-	(1 638 475)	-	-	1 638 475	-
Balance at 30 June 2012	573 635	17 875 239	10 170 812	1 250 000	27 155 382	57 025 069

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		305 396	1 642 690
Sale of goods and services		-	10 228 451
Grants		60 064 131	101 607 250
Investment Income		1 782 736	2 120 619
Other receipts		3 206 679	12 048 681
Cash payments			
Employee costs		(40 200 572)	(43 745 826)
Suppliers		(17 109 751)	(76 239 053)
Finance costs		(164 182)	(1 657 350)
Net Cash from Operating Activities	38	7 884 438	6 005 461
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(1 298 332)	(3 906 641)
Proceeds on Disposal of Fixed Assets		113 171	-
(Increase)/Decrease in Intangible Assets		-	(218 476)
(Increase)/Decrease in Non-current Assets Held for Sale		(225 002)	158 646
(Increase)/Decrease in Non-current Investments		(173)	(197)
Net Cash from Investing Activities		(1 410 336)	(3 966 668)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		91 286	-
Loans repaid		(1 847 408)	(198 284)
Net Cash from Financing Activities		(1 756 122)	(198 284)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4 717 980	1 840 508
Cash and Cash Equivalents at the beginning of the year		28 119 811	26 279 303
Cash and Cash Equivalents at the end of the year	39	32 837 791	28 119 811
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4 717 980	1 840 508

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The standards are summarised as follows:

REFERENCE	TOPIC
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1 (Revised)	Presentation of Financial Statements
GRAP 2 (Revised)	Cash Flow Statements
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 8	Interests in Joint Ventures
GRAP 9 (Revised)	Revenue from Exchange Transactions
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics
GRAP 11 (Revised)	Construction Contracts
GRAP 12 (Revised)	Inventories

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 13 (Revised)	Leases
GRAP 14 (Revised)	Events after the reporting date
GRAP 16 (Revised)	Investment Property
GRAP 17 (Revised)	Property, Plant and Equipment
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 (Revised)	Non-current Assets Held for Sale and Discontinued Operations
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distribution of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IPSAS 20	Related Party Disclosure
IFRS 4	Insurance Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC 12	Service Concession Arrangements
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
ASB guide 1	Guideline on Accounting for Public Private Partnerships

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 7 (Revised)	Investments in Associates	1 April 2013
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions	1 April 2012

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 25	Employee Benefits	1 April 2013
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised)	Agriculture	1 April 2013
GRAP 31 (Revised)	Intangible Assets	1 April 2013
GRAP 103	Heritage Assets	1 April 2012
GRAP 104	Financial Instruments	1 April 2012
IGRAP 16	Intangible Assets – Website Costs	1 April 2013

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 25	Employee Benefits	Unknown

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 18	<u>Segment Reporting</u> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	<u>Presentation of Budget Information in Financial Statements</u> Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 105	<u>Transfer of Functions between Entities under Common Control</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	<u>Transfer of Functions between Entities not under Common Control</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	<u>Mergers</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

1.7. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.8. RESERVES

1.8.1. *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The funds in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

1.8.2. *Donations and Public Contributions Reserve*

When items of property, plant and equipment are financed from public contributions, a transfer is made from accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the Public Contribution recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus/(deficit).

1.8.3. *Self-Insurance Reserve*

In order to finance the insurance expenditure of computer equipment and radios in future, funds are transferred from accumulated surplus to the Self Insurance Reserve. The Self Insurance Reserve is reduced and the accumulated surplus/ (deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8.4. *Revaluation Reserve*

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1. *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2. *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.10. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. This means:

- Provisions for one-off events are measured at the most likely outcome;
- Provisions for large populations of events are measured at a probability-weighted expected value; and
- Both measurements are discounted (where the effect is material) using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

1.15. EMPLOYEE BENEFITS

(a) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

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Accumulated leave is vesting.

(c) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(d) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2. Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.16.3. Subsequent Measurement – Cost Model

Subsequent to initial recognition, other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.4. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

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	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	10-30	Buildings	30
Pedestrian Malls	20	Specialist vehicles	5-15
Electricity	20-30	Other vehicles	3-20
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5-10
<u>Community</u>		Specialised plant and equipment	2-15
Buildings	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	20
Security Halls	5	Quarries	25
Libraries	20-30	Emergency equipment	5-15
Parks and gardens	20-30	Computer equipment	3-5
Other assets	15-20		
<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3		
Cell phones	2		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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1.16.5. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.6. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.17. INTANGIBLE ASSETS

1.17.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and

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- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

1.17.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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1.17.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.18. INVESTMENT PROPERTY

1.18.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2. Subsequent Measurement – Fair Value Model

Subsequent to initial recognition, items of investment property is measured at fair value. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

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1.18.3. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.4. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.19. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.20. NON-CURRENT ASSETS HELD FOR SALE

1.20.1. Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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1.20.2. Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

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1.21.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. INVENTORIES

1.22.1. Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.23.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.23.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount

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of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.23.2.4. *Non-Current Investments*

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3. De-recognition

1.23.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.24. REVENUE

1.24.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised when risk and rewards transfer. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

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Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity is the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

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Post-retirement medical obligations

The costs of post-retirement medical obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

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The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
2. NET ASSET RESERVES		
RESERVES		
Capital Replacement Reserve	29 869 687	77 713 301
Donations and Public Contribution Reserve	573 635	275 373
Revaluation Reserve	17 875 239	66 167 116
Self Insurance Reserve	10 170 812	10 170 812
	1 250 000	1 100 000
Total Net Asset Reserve and Liabilities	29 869 687	77 713 301
2.1 The Capital Replacement Reserve is used to finance future capital expenditure from own funds		
2.2 The Donations and Public Contributions Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not cash backed		
2.3 The Revaluation Reserve is created by surplus arising from the revaluation of property, plant and equipment		
2.4 The Self Insurance Reserve is used to finance future insurance claims		
3. LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	2 498 751	4 292 529
Capitalised Lease Liability - At amortised cost	70 355	32 700
	2 569 106	4 325 229
Less: Current Portion transferred to Current Liabilities	(216 056)	(147 057)
Annuity Loans - At amortised cost	(145 701)	(142 935)
Capitalised Lease Liability - At amortised cost	(70 355)	(4 121)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	2 353 050	4 178 172
Disclosed as follows in the Statement of Financial Position		
Long-term Liabilities - continued operations	2 353 050	2 527 329
Long-term Liabilities - discontinued operations	-	1 650 843
Total Long-term Liabilities	2 353 050	4 178 172
3.1 The obligations under annuity loans are scheduled below		
	Minimum lease payments	
Amounts payable under annuity loans:		
Payable within one year	272 362	450 064
Payable within two to five years	1 529 349	1 800 257
Payable after five years	2 111 291	4 949 764
	3 913 002	7 200 085
Less: Future finance obligations	(1 414 251)	(2 907 556)
Present value of annuity loans obligations	2 498 751	4 292 529
3.2 The obligations under finance leases are scheduled below		
	Minimum lease payments	
Amounts payable under finance leases		
Payable within one year	72 330	29 109
Payable within two to five years	-	79 511
Payable after five years	-	-
	72 330	108 620
Less: Future finance obligations	(1 975)	(75 920)
Present value of finance lease obligations	70 355	32 700

The capitalised lease liability consist out of the following contracts

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Vodacom	Cell Phones	0.14	0.15	2 Years	Various

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
4. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	20 100 046	17 603 947
Total Non-current Employee Benefits	<u>20 100 046</u>	<u>17 603 947</u>
<i>Post Retirement Health Care Benefits</i>		
Balance 1 July	18 453 163	14 345 737
Contribution for the year	2 155 595	1 754 254
Expenditure for the year	(849 216)	(656 676)
Actuarial Loss/(Gain)	340 504	3 009 848
Total provision 30 June	<u>20 100 046</u>	<u>18 453 163</u>
Less: Transfer of Current Portion to Current Provisions - Note 6	(813 612)	(849 216)
Balance 30 June	<u>19 286 434</u>	<u>17 603 947</u>

4.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows

In-service (employee) members	62	67
Continuation members (e.g. Retirees, widows, orphans)	24	23
Total Members	<u>86</u>	<u>90</u>

The liability in respect of past service has been estimated to be as follows

In-service members	7 822 664	7 042 263
Continuation members	12 277 382	11 410 900
Total Liability	<u>20 100 046</u>	<u>18 453 163</u>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows

	2010 R	2009 R	2008 R
In-service members	5 601 924	5 113 000	3 955 000
Continuation members	8 743 813	8 157 952	7 852 000
Total Liability	<u>14 345 737</u>	<u>13 270 952</u>	<u>11 807 000</u>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes

Bonitas
Fed Health
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R773 785, whereas the Interest Cost for the next year is estimated to be R1 553 690.

Key actuarial assumptions used.	2012 %	2011 %
i) Rate of interest		
Discount rate	7.89	8.68
Health Care Cost Inflation Rate	7.29	7.27
Net Effective Discount Rate	0.56	1.31

ii) Mortality rates

The PA 90 ultimate table rated down by 1 year of age was used by the actuaries

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	20 100 046	18 453 163
Fair value of plan assets	-	-
	20 100 046	18 453 163
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	20 100 046	18 453 163

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	18 453 163	14 345 737
Total expenses	1 306 379	1 097 578
Current service cost	590 088	487 822
Interest Cost	1 565 507	1 266 432
Benefits Paid	(849 216)	(656 676)
Actuarial (gains)/losses	340 504	3 009 848
Present value of fund obligation at the end of the year	20 100 046	18 453 163

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions Employer	-	-
Contributions Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	-	-

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	7 823	12 277	20 100	

The effect of movements in the assumptions are as follows

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	9 709	13 714	23 423	17.00%
Health care inflation	-1%	6 385	11 047	17 412	-13.00%
Post-retirement mortality	-1 year	8 113	12 776	20 889	4.00%
Average retirement age	-1 year	8 48	12 277	20 757	3.00%
Withdrawal Rate	-50%	8 818	12 277	21 095	5.00%

4.2 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund has a funding level of 98,1% (30 June 2010 - 100%). Whilst this has decreased since the previous actuarial valuation it is still within the Registrar's normally acceptable range of at least a 95% funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance	41 226	38 789
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CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 116,9% (30 June 2010 - 100,3%).

Contributions paid recognised in the Statement of Financial Performance	3 178 624	3 297 953
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DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	423 645	520 770
	423 645	520 770

5. CONSUMER DEPOSITS

Electricity and Water

	-	6 733
Total Consumer Deposits	-	6 733

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

6. CURRENT EMPLOYEE BENEFITS

	2012 R	2011 R
Staff Bonuses	1 566 900	1 291 584
Staff Leave	1 534 792	1 431 953
Compensation for injuries on duty contribution	524 000	284 000
Current Portion of Non-Current Provisions	813 612	849 216
Current Portion of Post Retirement Benefits - Note 5	813 612	849 216
Total Provisions	4 439 304	3 856 753

The movement in current provisions are reconciled as follows:

6.1 Staff Bonuses

Balance at beginning of year	1 291 584	1 078 541
Contribution to current portion	1 340 680	1 997 868
Correction of Error - Note 40.6		-
Expenditure incurred	(1 065 364)	(1 784 825)
Balance at end of year	1 566 900	1 291 584

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

6.2 Staff Leave

Balance at beginning of year	1 431 953	1 429 056
Contribution to current portion	1 562 481	1 792 824
Expenditure incurred	(1 459 642)	(1 789 927)
Balance at end of year	1 534 792	1 431 953

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
7. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	2 882 572	2 136 211
Other Creditors	23 855	-
Payments received in advance	299 372	286 456
Total Trade Payables	3 205 799	2 422 667
Payables are being recognised net of any discounts		
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
The carrying value of trade and other payables approximates its fair value		
All payables are unsecured		
8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	6 437 714	6 710 338
National Government Grants	1 311 444	1 649 281
Provincial Government Grants	4 902 641	4 890 863
Other Sources	223 630	170 194
Less: Unpaid Grants	(546 162)	-
National Government Grants	-	(400 000)
Provincial Government Grants	(226 147)	(2 636 868)
Other Sources	(320 015)	(96 741)
Correction of Error - Note 36.1	-	3 133 609
Total Conditional Grants and Receipts	5 891 552	6 710 338
The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
9. TAXES		
VAT (Payable)/Receivable	(751 428)	2 630 146
Correction of Error - Note 36.5	-	(809 762)
Total Taxes (Payable)/Receivable	(751 428)	1 820 385
10. SHORT-TERM LOANS		
The Municipality has no short term loans		

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11. PROPERTY, PLANT AND EQUIPMENT

11.1 30 JUNE 2012

Reconciliation of Carrying Value		Buildings R	Land R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2011		7 374 563	3 092 300	73 270 560	21 041 621	19 750	23 930	5 839 887	110 662 611
Cost		11 659 603	3 092 300	80 424 651	21 083 000	19 750	62 554	11 657 989	127 999 847
Original Cost		8 045 604	3 092 300	80 424 651	12 545 618	19 750	62 554	11 657 989	115 848 466
Revaluation		3 613 999	-	-	8 537 382	-	-	-	12 151 381
Accumulated Depreciation		(4 285 040)	-	(7 154 091)	(41 379)	-	(38 624)	(5 818 102)	(17 337 236)
Original Cost		(4 285 040)	-	(7 154 091)	(41 379)	-	(38 624)	(5 818 102)	(17 337 236)
Revaluation		-	-	-	-	-	-	-	-
Acquisitions		-	-	-	-	-	-	-	-
Transfers from/(to) Investment Properties - Note 13		(866 520)	(765 000)	-	-	-	91 286	20 720 760	20 812 046
Cost		(866 520)	(765 000)	-	-	-	-	-	(1 631 520)
Accumulated Depreciation		(953 378)	(765 000)	-	-	-	-	-	(1 718 378)
Revaluation		86 858	-	-	-	-	-	-	86 858
Depreciation		(191 107)	-	(1 144)	(13 829)	-	(44 870)	(3 985 422)	(4 236 372)
Normal Depreciation		(191 107)	-	(1 144)	(13 829)	-	(44 870)	(3 985 422)	(4 236 372)
Backlog Depreciation previously not recorded		-	-	-	-	-	-	-	-
Carrying value of disposals		(1 343 564)	(97 300)	(73 269 416)	(2 237 000)	-	-	(662 501)	(77 609 781)
Cost		(2 656 382)	(97 300)	(80 424 651)	(2 237 000)	-	-	(1 798 663)	(87 213 996)
Accumulated Depreciation		1 312 818	-	7 155 235	-	-	-	1 136 162	9 604 215
Carrying value at 30 June 2012		4 973 372	2 230 000	-	18 790 792	19 750	70 346	21 912 724	47 996 984
Cost		8 049 843	2 230 000	-	18 846 000	19 750	153 840	30 580 086	59 879 519
Original Cost		4 435 844	2 230 000	-	10 308 618	19 750	153 840	30 580 086	47 728 138
Revaluation		3 613 999	-	-	8 537 382	-	-	-	12 151 381
Accumulated Depreciation		(3 076 471)	-	-	(55 208)	-	(83 494)	(8 667 362)	(11 882 535)
Original Cost		(3 076 471)	-	-	(55 208)	-	(83 494)	(8 667 362)	(11 882 535)
Revaluation		-	-	-	-	-	-	-	-

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11.2 30 JUNE 2011

Reconciliation of Carrying Value									
	Buildings R	Land R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Total R	
Carrying value at 1 July 2010									
Cost	7 805 801	3 092 300	72 776 858	21 055 411	19 750	22 064	6 049 169	110 821 353	
Original Cost	9 020 136	3 092 300	77 406 099	21 083 000	19 750	34 148	10 778 821	121 434 254	
Correction of Error - Note 36.3	5 406 137	3 092 300	77 406 099	12 545 618	19 750	32 656	8 619 018	107 121 578	
Revaluation	-	-	-	-	-	1 492	2 159 803	2 161 295	
	3 613 999	-	-	8 537 382	-	-	-	12 151 381	
Accumulated Depreciation	(1 214 335)	-	(4 629 241)	(27 589)	-	(12 084)	(4 729 652)	(10 612 901)	
Original Cost	(1 214 335)	-	(4 629 241)	(27 589)	-	(7 061)	(4 995 304)	(10 873 530)	
Correction of Error - Note 36.3	-	-	-	-	-	(5 023)	265 652	260 629	
Revaluation	-	-	-	-	-	-	-	-	
Acquisitions	-	-	3 018 552	-	-	-	-	-	
Depreciation	(431 238)	-	(2 524 850)	(13 790)	-	28 406	879 168	3 926 126	
Normal Depreciation	(431 238)	-	(2 524 850)	(13 790)	-	(26 540)	(1 088 450)	(4 084 868)	
Backlog Depreciation previously not recorded	-	-	-	-	-	(26 540)	(1 088 450)	(4 084 868)	
Carrying value at 30 June 2011	7 374 563	3 092 300	73 270 560	21 041 621	19 750	23 930	5 839 887	110 662 611	
Cost	11 659 603	3 092 300	80 424 651	21 083 000	19 750	62 554	11 657 989	127 999 847	
Original Cost	8 045 604	3 092 300	80 424 651	12 545 618	19 750	62 554	11 657 989	115 848 466	
Revaluation	3 613 999	-	-	8 537 382	-	-	-	12 151 381	
	(4 285 040)	-	(7 154 091)	(41 379)	-	(38 624)	(5 818 102)	(17 337 236)	
Accumulated Depreciation	(4 285 040)	-	(7 154 091)	(41 379)	-	(38 624)	(5 818 102)	(17 337 236)	
Original Cost	(4 285 040)	-	(7 154 091)	(41 379)	-	(38 624)	(5 818 102)	(17 337 236)	
Revaluation	-	-	-	-	-	-	-	-	

Refer to Appendix B for a more detailed disclosure of Property, Plant and Equipment.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
11.3 Details of Valuation		
The effective date of the revaluations was 30 June 2008. Revaluations were performed by an independent valuers, Value Data. The valuers are not connected to the municipality. Land and Buildings are revalued independently every 5 years.		
Assumptions used to determine fair value was by reference to observable prices in the active market or recent market transactions on arm's length terms.		
Carrying value of revalued property, plant and equipment that would have been recognised under the cost model if the cost model was applied.		
Cost	17 318 559	21 790 619
Land and Buildings	17 318 559	21 790 619
Accumulated Depreciation	(2 305 966)	(744 861)
Land and Buildings	(2 305 966)	(744 861)
Carrying value	15 012 593	21 045 758
12. NON-CURRENT ASSETS HELD FOR SALE		
Non-current assets held for sale at beginning of year - at book value	428 308	582 493
Additions for the year	225 002	-
Non-current assets sold/written off during the year	653 310	582 493
Non-current assets held for sale at end of year - at book value	(113 171)	(154 185)
	540 139	428 308
13. INVESTMENT PROPERTY		
Net Carrying amount at 1 July	1 682 000	1 365 000
Valuation	1 682 000	1 365 000
Accumulated Depreciation	-	-
Fair Value Adjustments	2 318 480	317 000
Transfer from Property, Plant and Equipment	1 631 520	-
Transfer to Joe Morolong Municipality	(32 000)	-
Net Carrying amount at 30 June	5 600 000	1 682 000
Valuation	5 600 000	1 682 000
Accumulated Depreciation	-	-
Estimate Fair Value of Investment Property at 30 June	5 600 000	1 682 000
14. INTANGIBLE ASSETS		
Net Carrying amount at 1 July	484 105	386 507
Cost	1 053 348	680 133
Correction of Error - Note 36.4	-	154 739
Accumulated Amortisation	(569 243)	(448 365)
Acquisitions	-	218 476
Amortisation	(135 347)	(120 878)
Disposals	(22 269)	-
Net Carrying amount at 30 June	325 488	484 105
Cost	969 164	1 053 348
Accumulated Amortisation	(643 676)	(569 243)
15. INVESTMENTS		
Unlisted		
Long term deposits	5 246	5 073
Total Investments	5 246	5 073

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
16. INVENTORY		
Water - At purification cost	-	34 719
Total Inventory	<u>-</u>	<u>34 719</u>
No inventory assets were pledged as security for liabilities		
The municipality recognised only purification costs in respect of non-purchased purified water inventory		
17. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	-	607 476
Water	-	712 214
Refuse	-	102 860
Sewerage	-	84 310
Other Arrears	5 761 744	3 747 793
Total: Receivables from exchange transactions (before provision)	<u>5 761 744</u>	<u>5 254 653</u>
Provision for impairments	(706 733)	(606 733)
Total: Receivables from exchange transactions (after provision)	<u>5 055 010</u>	<u>4 647 920</u>
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.		
The fair value of receivables approximate their carrying value		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	-	248 557
31 - 60 Days	-	50
61 - 90 Days	-	37
+ 90 Days	-	358 832
Total	<u>-</u>	<u>607 476</u>
<u>(Water): Ageing</u>		
Current (0 - 30 days)	-	590 085
31 - 60 Days	-	19 466
61 - 90 Days	-	9 733
+ 90 Days	-	92 930
Total	<u>-</u>	<u>712 214</u>
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	-	64 320
31 - 60 Days	-	5 234
61 - 90 Days	-	3 820
+ 90 Days	-	29 486
Total	<u>-</u>	<u>102 860</u>
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	-	81 714
31 - 60 Days	-	2 277
61 - 90 Days	-	184
+ 90 Days	-	135
Total	<u>-</u>	<u>84 310</u>
<u>(Other): Ageing</u>		
Current (0 - 30 days)	2 684 972	3 349 064
31 - 60 Days	147 534	13 376
61 - 90 Days	152 272	3 487
+ 90 Days	2 776 966	381 866
Total	<u>5 761 744</u>	<u>3 747 793</u>

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<u>(Total): Ageing</u>		
Current (0 - 30 days)	2 684 972	4 333 740
31 - 60 Days	147 534	40 403
61 - 90 Days	152 272	17 261
+ 90 Days	2 776 966	863 249
Total	5 761 744	5 254 653

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2012			
Current (0 - 30 days)			
31 - 60 Days	19 085	-	2 665 887
61 - 90 Days	7 661	-	139 873
+ 90 Days	24 800	-	127 473
	47 835	-	2 729 130
Sub-total	99 381	-	5 662 363
Less: Provision for bad debts	-	-	-
Total debtors by customer classification	99 381	-	5 662 363

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2011			
Current (0 - 30 days)			
31 - 60 Days	508 689	925 665	2 899 387
61 - 90 Days	30 671	9 243	488
+ 90 Days	16 419	842	-
	457 686	895 039	1 442 060
Sub-total	1 013 465	1 830 789	4 341 935
Less: Provision for bad debts	(606 733)	-	-
Total debtors by customer classification	406 732	1 830 789	4 341 935

Reconciliation of Provision for Bad Debts

Balance at beginning of year		
Contribution to provision	606 733	513 141
Bad Debts written off against provision	100 000	100 000
Reversal of provision	-	(6 408)
Balance at end of year	706 733	606 733

The total amount of this provision is R706 733 and consist of

Services	-	-
Other Debtors	706 733	606 733
Total Provision for Bad Debts on Receivables from exchange transactions	706 733	606 733

18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	-	305 396
Other Receivables	808 035	127 723
Deposit Van Zylsrus Eskom	-	1 000
Commonage Thwane	804 735	-
Sundries	-	26 682
Tranquility Trust	3 300	3 300
Correction of Error - Note 36.2	-	96 741
Less: Provision for bad debts	808 035	433 119
Total Receivables from non-exchange transactions	808 035	433 119

The fair value of other receivables approximate their carrying value

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

<u>(Rates): Ageing</u>	2012 R	2011 R
Current (0 - 30 days)	-	176 592
31 - 60 Days	-	5 232
61 - 90 Days	-	143
+ 90 Days	-	123 429
Total	-	305 396

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2012			
Current (0 - 30 days)	-	-	-
31 - 60 Days	-	-	-
61 - 90 Days	-	-	-
+ 90 Days	-	-	-
Sub-total	-	-	-
Less: Provision for bad debts	-	-	-
Total debtors by customer classification	-	-	-

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2011			
Current (0 - 30 days)	320	175 732	540
31 - 60 Days	248	4 905	78
61 - 90 Days	12	90	34
+ 90 Days	1 317	100 846	21 267
Sub-total	1 897	281 579	21 919
Less: Provision for bad debts	-	-	-
Total debtors by customer classification	1 897	281 579	21 919

19. BANK ACCOUNTS

19.1 Cash and Cash Equivalents

Current Accounts	6 095 626	1 582 135
Call Investments Deposits	26 740 415	26 535 926
Cash Floats	1 750	1 750
Total Cash and Cash Equivalents - Assets	32 837 791	28 119 811

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R6 437 715 are held to fund the Unspent Conditional Grants (2011: R6 776 914).

The municipality has the following bank accounts:

Current Accounts

ABSA Bank Limited - Account Number 960 000 099 (Primary Bank Account)	6 095 626	1 582 135
Total Current Accounts	6 095 626	1 582 135

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Call Investment Deposits		
First National Bank - Account Number 62016341208 (Call Account)	3 820 828	3 674 134
First National Bank - Account Number 62047254272 (Call Account)	3 423	3 292
ABSA Bank Limited - Account Number 92-3663-0418 (Call Account)	1 436 149	1 046 716
ABSA Bank Limited - Account Number 92-3663-0125 (Call Account)	1 485 052	200 000
ABSA Bank Limited - Account Number 92-4823-0606 (Call Account)	2 205 889	1 695 006
ABSA Bank Limited - Account Number 92-2896-9110 (Call Account)	195 324	4 195 324
ABSA Bank Limited - Account Number 92-2735-1378 (Call Account)	-	808 548
ABSA Bank Limited - Account Number 92-6852-5079 (Call Account)	30 018	-
ABSA Bank Limited - Account Number 92-6852-4918 (Call Account)	133 899	-
Standard Bank Limited - Account Number 048596582-001 (Call Account)	-	6 263 830
Standard Bank Limited - Account Number 048596582-002 (Call Account)	-	1 075
Standard Bank Limited - Account Number 048596582-003 (Call Account)	8 640 583	5 319 566
Standard Bank Limited - Account Number 048596582-004 (Call Account)	8 789 251	3 328 435
Total Call Investment Deposits	26 740 415	26 535 926
20. PROPERTY RATES		
<i>Actual</i>		
Rateable Land and Buildings		
Residential Property	-	-
Less: Rebates	-	-
Total Assessment Rates	-	-
Property Rates are disclosed under Discontinued Operations - Note 38		
<i>Valuations - 1 July 2011</i>		
Rateable Land and Buildings	-	1 855 991 654
Stand	-	1 855 831 654
Building Clause	-	160 000
Total Assessment Rates	-	1 855 991 654
Property Rates are levied from 1 July 2011 by Local B-Municipalities		
21. GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional		
Equitable Share	45 856 000	48 851 954
Conditional		
Grants and Donations	14 930 176	59 224 057
Correction of Error - Note 36.1	14 930 176	62 260 925
	-	(3 036 868)
Total Government Grants and Subsidies	60 786 176	108 075 012
Government Grants and Subsidies - Operating	60 786 176	108 076 012
Government Grants and Subsidies - Capital	-	-
Total Government Grants and Subsidies	60 786 176	108 076 012
21.1 Equitable Share		
Opening balance	-	-
Grants received	45 856 000	48 851 954
Conditions met - Operating	(45 856 000)	(48 851 954)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury		

	2012 R	2011 R
21.2 Local Government Financial Management Grant (FMG)		
Opening balance		
Grants received	41 736	1 490 954
Conditions met - Operating	1 250 000	1 000 000
Conditions met - Capital	(1 080 425)	(2 449 218)
Conditions still to be met	-	-
	<u>211 311</u>	<u>41 736</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA) 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

21.3 Municipal Systems Improvement Grant (MSIG)		
Opening balance		
Grants received	900 313	466 892
Conditions met - Operating	790 000	750 000
Conditions met - Capital	(590 180)	(316 579)
Conditions still to be met	-	-
	<u>1 100 133</u>	<u>900 313</u>

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

21.4 Municipal Infrastructure Grant (MIG)		
Opening balance		
Grants received	707 232	4 125 899
Conditions met - Operating	-	12 367 000
Conditions met - Capital	(707 232)	(15 785 667)
Conditions still to be met	-	-
	<u>-</u>	<u>707 232</u>

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

21.5 Housing Accreditation		
Opening balance		
Grants received	1 076 520	370 251
Other income	1 883 333	2 046 669
Conditions met - Operating	4 670	19 740
Conditions met - Capital	(1 614 116)	(1 360 140)
Conditions still to be met	-	-
	<u>1 350 407</u>	<u>1 076 520</u>

The Housing grant was utilised for the development of erven and the erection of top structures.

21.6 Department of Water Affairs (Green and Blue Drop)		
Opening balance	(400 000)	-
Grants received	400 000	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(400 000)
Conditions still to be met	-	-
	<u>-</u>	<u>(400 000)</u>

The grant was used for Green and Blue Drop Studies.

21.7 Library Grant		
Opening balance	-	-
Grants received	-	-
Conditions met - Operating	192 000	170 000
Conditions met - Capital	(192 000)	(170 000)
Conditions still to be met	-	-
	<u>-</u>	<u>-</u>

The Library grant was used to finance library activities.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.8 <u>Neer Grant</u>		
Opening balance	-	-
Grants received	391 000	558 000
Conditions met - Operating	(391 000)	(558 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was used to maintain the disaster management centre		
21.9 <u>Fire Grant</u>		
Opening balance	143 808	-
Grants received	371 000	350 000
Conditions met - Operating	(514 808)	(206 192)
Conditions met - Capital	-	-
Conditions still to be met	-	143 808
This grant is to assist local municipalities to render a fire service		
21.10 <u>Asbestos Roads</u>		
Opening balance	-	869 464
Grants received	-	1 057 100
Conditions met - Operating	-	(1 926 564)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was to maintain roads		
21.11 <u>School Sanitation</u>		
Opening balance	(89 770)	89 770
Grants received	89 770	-
Conditions met - Operating	-	(179 540)
Conditions met - Capital	-	-
Conditions still to be met	-	(89 770)
The grant was used for sanitation at schools		
21.12 <u>Fencing of Roads: Candel & Bendel</u>		
Opening balance	(1 282 436)	1 282 436
Grants received	1 282 436	-
Conditions met - Operating	-	(2 564 872)
Conditions met - Capital	-	-
Conditions still to be met	-	(1 282 436)
This grant was established to make provision for fencing next to public roads		
21.13 <u>Housing Project: Vanzylsrus</u>		
Opening balance	1 757 647	3 166 303
Grants received	1 927 041	873 899
Conditions met - Operating	(1 986 819)	(2 282 555)
Conditions met - Capital	-	-
Conditions still to be met	1 697 869	1 757 647
The grant was used for a housing project in Vanzylsrus		
21.14 <u>Housing Sector Plan</u>		
Opening balance	-	-
Grants received	-	417 646
Other income	-	8 623
Conditions met - Operating	-	(426 269)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was used to prepare a Housing Sector Plan		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.15 <u>Spot Regraveling</u>		
Opening balance	-	4 117 541
Grants received	-	8 911
Conditions met - Operating	-	(4 126 452)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was used to maintain roads		
21.16 <u>Taxi Ranks</u>		
Opening balance	(257 974)	257 974
Grants received	257 974	-
Conditions met - Operating	-	(515 948)
Conditions met - Capital	-	-
Conditions still to be met	-	(257 974)
The grant was used for upgrades of taxi ranks		
21.17 <u>Debushing</u>		
Opening balance	-	(1 524 957)
Grants received	-	1 804 341
Other income	-	251
Conditions met - Operating	-	(279 635)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was used for debushing of illegal plants		
21.18 <u>EPWP Incentive Grant</u>		
Opening balance	65 000	-
Grants received	-	65 000
Conditions met - Operating	(291 147)	-
Conditions met - Capital	-	-
Conditions still to be met	(226 147)	65 000
This grant service to establish work in local communities		
21.19 <u>Main Road Maintenance</u>		
Opening balance	-	1 239 227
Grants received	-	19 638 528
Conditions met - Operating	-	(20 877 755)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was used for road maintenance		
21.20 <u>Batharosa Paving</u>		
Opening balance	343 994	-
Grants received	-	1 600 000
Conditions met - Operating	-	(1 256 006)
Conditions met - Capital	-	-
Conditions still to be met	343 994	343 994
The grant was used to pave roads		
21.21 <u>Transport</u>		
Opening balance	(1 006 688)	-
Grants received	1 006 688	4 472 860
Conditions met - Operating	-	(5 479 548)
Conditions met - Capital	-	-
Conditions still to be met	-	(1 006 688)
This is the allocation by the Department of Transport in the Northern Cape to maintain the roads function on behalf of the Department of Transport		

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.22 <u>Rural Transport</u>		
Opening balance		
Grants received	1 503 894	-
Conditions met - Operating	-	2 000 000
Conditions met - Capital	(745 173)	(496 106)
Conditions still to be met	-	-
	<u>758 721</u>	<u>1 503 894</u>
The grant was used to upgrade rural transport		
21.23 <u>Vanzylsrus Sportfield</u>		
Opening balance	-	-
Grants received	7 000 000	-
Conditions met - Operating	(6 248 350)	-
Conditions met - Capital	-	-
Conditions still to be met	-	-
	<u>751 650</u>	<u>-</u>
The grant was used to build a sportfield at Vanzylsrus		
21.24 <u>HIV AIDS Council</u>		
Opening balance	165 013	70 718
Grants received	-	100 000
Conditions met - Operating	-	-
Conditions met - Capital	(13 650)	(5 705)
Conditions still to be met	-	-
	<u>151 363</u>	<u>165 013</u>
The grant was used for HIV Aids awareness		
21.25 <u>Commonage Farms</u>		
Opening balance	(96 741)	149 259
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(223 274)	(246 000)
Conditions still to be met	-	-
	<u>(320 015)</u>	<u>(96 741)</u>
The grant was used to assist commonage farms		
21.26 <u>Joe Morolong Water Monitoring</u>		
Opening balance	5 181	13 224
Grants received	399 088	229 424
Conditions met - Operating	(332 002)	(237 467)
Conditions met - Capital	-	-
Conditions still to be met	-	-
	<u>72 267</u>	<u>5 181</u>
The grant was used for water monitoring in Joe Morolong Municipality		
21.27 <u>Vanzylsrus Housing Retention</u>		
Opening balance	-	114 708
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(114 708)
Conditions still to be met	-	-
	<u>-</u>	<u>-</u>
The grant was used for a housing project in Vanzylsrus		
21.28 <u>Total Grants</u>		
Opening balance	3 576 729	16 299 663
Grants received	63 096 330	98 361 332
Other Income	4 670	28 614
Conditions met - Operating	(60 786 176)	(111 112 880)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-
	<u>5 891 553</u>	<u>3 576 729</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<u>Disclosed as follows</u>		
Unspent Conditional Government Grants and Receipts	6 437 715	6 710 338
Unpaid Conditional Government Grants and Receipts	(546 162)	(3 133 609)
Total	5 891 553	3 576 729
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	45 856 000	48 851 954
Executive & Council	590 180	750 000
Budget & Treasury	1 085 095	1 000 000
Corporate Services	192 000	170 000
Planning & Development	-	-
Health	-	-
Community & Social Services	-	-
Housing	223 274	149 259
Public Safety	3 669 305	6 504 517
Sport & Recreation	905 808	908 000
Environmental Protection	-	-
Waste Management	-	-
Waste Water Management	-	-
Road Transport	-	-
Water	7 557 282	31 429 597
Electricity	707 232	19 847 418
Total Government Grants and Subsidies	60 786 176	109 610 746
22. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Institutions	19 513 714	3 018 552
Total Contributed Property, Plant and Equipment	19 513 714	3 018 552
23. RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	118 484	42 398
Total Rental of Facilities and Equipment	118 484	42 398
24. INTEREST EARNED - EXTERNAL INVESTMENTS		
Cash and Cash Equivalents	1 782 563	1 839 916
Financial assets	173	197
Total Interest Earned - External Investments	1 782 736	1 840 113
25. OTHER INCOME		
Admin Fees	-	-
Admin Private Jobs	-	-
Clearance Certificates	968 908	7 829 672
Fees Buildingplans	600	3 400
Land Use Applications	-	24 752
Product Related Services	-	20 000
Photostats	2 828 489	1 156 000
Sundries	-	32 515
Telephone Private	79 378	12 045
Training	219 297	323 424
	178 927	112 126
Total Other Income	4 275 598	9 513 933
26. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	21 985 365	22 542 597
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 006 146	5 528 088
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	5 508 501	5 912 514
Housing Benefits and Allowances	896 576	1 115 267
Nightshift Allowance	26 222	37 018
Bonuses	1 340 680	1 997 868
Provision for leave	1 562 481	1 792 824
Contribution to provision - Post Retirement Medical - Note 5	590 088	487 822
Less: Employee Costs allocated elsewhere	36 916 059	39 413 998
Total Employee Related Costs	36 916 059	39 413 998

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

	2012 R	2011 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	75 000	746 350
Travelling Allowance	2 400	28 880
Telephone Allowance	-	71 131
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	77 400	846 361
<i>Remuneration of the Director : Finance</i>		
Annual Remuneration	772 860	729 108
Car Allowance	28 800	28 800
Acting allowance	-	-
Performance Bonus	-	-
Leave Payments	25 390	30 732
Total	827 050	788 640
<i>Remuneration of Director : Corporate Services</i>		
Annual Remuneration	-	60 759
Car Allowance	-	2 400
Telephone allowance	-	9 915
Performance Bonus	-	-
Contributions - UIF, Medical, Pension	-	-
Total	-	73 074
<i>Remuneration of Director : Community Services</i>		
Annual Remuneration	745 452	741 456
Car Allowance	28 800	28 800
Telephone allowance	78 555	-
Performance Bonus	-	-
Contributions - UIF, Medical, Pension	61 887	56 916
Total	914 694	827 172
<i>Remuneration of Director : Technical Services</i>		
Annual Remuneration - All Inclusive Package	-	703 260
Car Allowance	-	28 800
Telephone allowance	-	-
Performance Bonus	-	-
Leave Payments	-	94 945
Total	-	827 005
<i>Remuneration of Director : Strategy</i>		
Annual Remuneration	-	468 840
Car Allowance	-	19 200
Telephone allowance	-	-
Performance Bonus	-	-
Contributions - UIF, Medical, Pension	-	-
Total	-	488 040
27. REMUNERATION OF COUNCILLORS		
Mayor	673 095	629 000
Speaker	527 114	493 709
Chairpersons of committees	1 606 871	1 526 414
Councillors	759 582	750 532
Total Councillors' Remuneration	3 566 662	3 399 655
<i>In-kind Benefits</i>		

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councilors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act

Signed: Municipal Manager

	2012 R	2011 R
28. DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 17	100 000	100 000
Total Debt Impairment	100 000	100 000
29. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	4 236 372	910 892
Intangible assets	136 347	120 878
Total Depreciation and Amortisation	4 372 719	1 031 770
30. FINANCE COSTS		
Long-term Liabilities	164 182	390 918
Non-current Employee Benefits	1 565 507	1 266 432
Total Finance Costs	1 729 689	1 657 350
31. GRANTS AND SUBSIDIES PAID		
Local Municipalities and Provincial Departments	76 599 368	-
Institutions	26 790	53 844
Total Grants and Subsidies	76 626 158	53 844
32. GENERAL EXPENSES		
Advertisements	163 557	95 229
Advocacy Programmes	-	178 130
Audit Fees(External Audit)	-	1 029 509
Bank Cost	3 060 854	33 589
Books & Publications	38 347	37 293
Capacity Building	92 739	-
Catering	220 030	292 774
Commonage Expenditure	124 274	10 005
Communications	-	213 514
Conferences	161 310	34 110
Contr to SSME Development	53 282	-
Disaster Assistance	10 430	89 654
DMA Committee	101 691	77 000
Exhibitions	-	59 139
Fuel and Oil	34 300	599 546
Funerals Poor & Needy	469 205	3 877
Household Expenditure	2 754	164 919
Idle Time	142 026	97 878
ISRDP/IMBIZO Events	-	30 415
KHRF-Youth Advisory Centre	92 761	511 671
Legal Fees	-	146 360
Library Usage	10 937	5 506
Licences	16 316	24 564
Mayoral Special Programs	21 694	192 401
Membership Fees	164 479	524 095
Municipal Services	448 935	613 479
Pest Control	694 803	21 569
Postage ect	15 855	7 608
Printing and Stationery	5 883	233 037
Records Management	139 169	8 359
Security Services	1 680	409 200
Short Term Insurance	239 333	390 504
Study Assistance	465 278	75 422
Telephone	43 539	1 024 940
Tourism Events	819 749	101 122
Training	230 929	317 808
Uniforms	553 313	27 093
Valuations	9 635	151 431
Water Quality	-	113 585
Total General Expenses	8 665 733	7 946 335

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
33. GAIN/ (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	(1 339 552)	35 228
Total Gain/ (Loss) on Sale of Assets	(1 339 552)	35 228
34. FAIR VALUE ADJUSTMENT		
Investment Property	2 318 480	317 000
Total (Impairment Loss)/ Reversal of Impairment Loss	2 318 480	317 000
35. PROFIT/ (LOSS) FROM DISCONTINUED OPERATIONS		
Revenue		
Property Taxes	-	1 698 401
Fines	-	118
Service Charges	-	12 099 178
Rental of Facilities and Equipment	-	2 187
Interest Earned - Outstanding Receivables	-	280 506
Other Income	2 740	518 930
Total Revenue	2 740	14 599 320
Expenditure		
Employee related costs	-	(1 636 403)
Debt Impairment	-	(2 757 626)
Depreciation and Amortisation	-	(3 173 979)
Repairs and Maintenance	-	(89 326)
Bulk Purchases	-	(7 528 229)
Contracted Services	-	(200 000)
General Expenses	-	(3 628 010)
Total Expenditure	-	(19 013 574)
Total Profit/ (Loss) from discontinued operations	2 740	(4 414 254)

John Taolo Gaetsewe District Municipality provided services to District Management Areas under their control. These areas were transferred by a section 12 notice by the MEC of Cooperative Governance and Transitional Affairs to Local B-Municipalities. Since 30 June 2011, John Taolo Gaetsewe District Municipality has no longer control over these District Management Areas and provide no longer any services to these areas.

36. CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP

36.1 Unpaid Government Grants and Receipts

Balance previously reported	-	3 133 609
Unpaid Grant - Commonage Farms - disclosed under Receivables from Non-Exchange Transactions - Note 8	-	(96 741)
Expenditure of Unpaid Grants and Receipts in prior year recognised as own expenditure	-	(3 036 868)
Restated Balance	-	-

Unpaid Grant - Commonage Farms was previously disclosed under Unpaid Grants and is now disclosed under Receivables from non-exchange transactions

36.2 Receivables from Non-Exchange Transactions

Balance previously reported	-	336 378
Unpaid Grant - Commonage Farms - disclosed under Receivables from Non-Exchange Transactions - Note 7	-	96 741
Restated Balance	-	433 119

Unspent Grant - Farm Thawane was previously disclosed under Payables from exchange transactions and is now disclosed under Unspent Grants

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
36.3 Property, Plant and Equipment		
Balance previously reported	-	108 240 686
Cost	-	2 161 295
Lease Assets	-	1 492
Other Assets	-	2 159 803
Accumulated Depreciation	-	260 629
Lease Assets	-	(5 023)
Other Assets	-	265 652
Restated Balance	-	113 084 535
Property, Plant and Equipment not recognised in prior years		
36.4 Intangible Assets		
Balance previously reported	-	329 368
Intangible Assets not recognised in prior years - Note 14	-	154 739
Restated Balance	-	484 105
Intangible Assets not recognised in prior years - recognised for the first-time in the Directive 7		
36.5 Taxes		
Balance previously reported	-	2 630 146
Correction of VAT Control Accounts - Note 9	-	(809 762)
Restated Balance	-	1 820 385
Correction of VAT Control Accounts		
36.6 Accumulated Surplus/(Deficit) - 1 July 2010		
Intangible Assets not recognised in prior years - Note 36.4	-	154 739
Property, Plant and Equipment - Cost - Note 36.3	-	2 161 295
Property, Plant and Equipment - Accumulated Depreciation - Note 36.4	-	260 629
Correction of VAT Control Accounts - Note 36.5	-	(809 762)
Total	-	1 766 901

37. CHANGES TO THE STATEMENT OF FINANCIAL PERFORMANCE

Movement on operating account as a result of GRAP standards not implemented in prior years and prior year corrections

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property taxes		-	-	-
Government Grants and Subsidies	36.1	111 112 880	(3 036 868)	108 076 012
Public Contributions and Donations		-	-	-
Contributed Property, Plant and Equipment		3 018 552	-	3 018 552
Fines		-	-	-
Third Party Payments		-	-	-
Actuarial Gains		-	-	-
Other Revenue from non-exchange transactions		-	-	-
Property Rates - penalties imposed and collection charges		-	-	-
Service Charges		-	-	-
Water Services Authority Contribution		-	-	-
Rental of Facilities and Equipment		42 398	-	42 398
Interest Earned - external investments		1 840 113	-	1 840 113
Interest Earned - outstanding receivables		-	-	-
Licences and Permits		2 066 315	-	2 066 315
Income for Agency Services		-	-	-
Other Income		9 513 933	-	9 513 933
Gain on Sale of Assets		35 228	-	35 228
Fair Value Adjustments		317 000	-	317 000
Unamortised Discount - Interest		-	-	-
Total		127 946 418	(3 036 868)	124 909 550

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Expenditure		
Employee related costs	(39 413 998)	(39 413 998)
Remuneration of Councillors	(3 399 655)	(3 399 655)
Debt Impairment	(100 000)	(100 000)
Collection Costs	-	-
Depreciation and Amortisation	(1 031 770)	(1 031 770)
Repairs and Maintenance	(4 394 734)	(4 394 734)
Unamortised Discount - Interest	(49 235 617)	(49 235 617)
Actuarial Losses	(3 009 848)	(3 009 848)
Finance Costs	(1 657 350)	(1 657 350)
Bulk Purchases	-	-
Contracted Services	-	-
Grants and Subsidies Paid	(53 844)	(53 844)
Other Operating Grant Expenditure	-	-
General Expenses	(7 946 335)	(7 946 335)
Operating Surplus/(Deficit) from discontinued operations	(4 414 254)	(4 414 254)
Total	(114 657 405)	(114 657 405)
Net Surplus/(Deficit) for the year	13 289 013	10 252 145

	2012 R	2011 R
38. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(56 367 314)	10 252 145
Adjustments for:		
Depreciation and amortisation	4 372 719	4 205 746
Loss/(Gain) on disposal of property, plant and equipment	1 339 552	4 461
Impairment Loss/(Reversal of Impairment Loss)	-	(317 000)
Fair Value Adjustments	(2 318 480)	-
Grants and Subsidies Paid - Transfer of Assets	76 324 498	-
Contribution from/to provisions - Non-Current Employee Benefits	1 341 983	1 097 578
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	340 504	3 009 848
Contributed Property, Plant and Equipment	(19 513 714)	-
Contribution to provisions - Bad debt	100 000	-
Reversal of Provision for Bad debt	-	100 000
Bad debts written off	-	2 744 924
Operating Surplus/(Deficit) before changes in working capital	5 619 748	21 097 702
Changes in working capital	2 264 690	(15 092 241)
Increase/(Decrease) in Consumer Deposits	(6 733)	6 733
Increase/(Decrease) in Trade and Other Payables	783 132	(4 669 443)
Increase/(Decrease) in Employee Benefits	582 551	499 940
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(272 624)	(8 077 414)
Increase/(Decrease) in Taxes	2 571 813	688 033
(Increase)/Decrease in Inventory	34 719	(3 391)
(Increase)/Decrease in Trade Receivables from exchange transactions	(507 089)	(1 877 135)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(374 916)	(50 912)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(546 162)	(1 608 652)
Cash generated/(absorbed) by operations	7 884 438	6 005 461
39. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following		
Current Accounts - Note 19	6 095 626	1 582 135
Call Investments Deposits - Note 19	26 740 415	26 535 926
Cash Floats - Note 19	1 750	1 750
Total cash and cash equivalents	32 837 791	28 119 811
40. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 39	32 837 791	28 119 811
Less: Unspent Committed Conditional Grants - Note 8	(6 437 714)	(6 710 338)
Net cash resources available for internal distribution	26 400 077	21 409 473
Allocated to		
Capital Replacement Reserve	(573 635)	(573 635)
Resources available for working capital requirements	25 826 442	20 835 838
41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	2 569 106	4 325 229
Used to finance property, plant and equipment - at cost	(2 569 106)	(4 325 229)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

42. BUDGET COMPARISONS

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
42.1 Operational Budget by source/type				
Revenue by source				
Rental of facilities and equipment	118 484	40 000	78 484	196 21%
Interest earned - external investments	1 787 406	1 000 000	787 406	78 74%
Contributed Property Plant and Equipment	19 513 714	-	19 513 714	100 00%
Government Grant and Subsidies	60 781 506	71 675 886	(10 894 380)	-15 20%
Other revenue	4 275 598	14 075 000	(9 799 402)	-69 62%
Discontinued Operations - Joe Marolong	2 740	-	2 740	100 00%
Fair Value Adjustments	-	-	-	100 00%
Gains on disposal of PPE	6 441	-	6 441	100 00%
Total Revenue (excluding capital transfers and contributions)	86 485 889	86 790 886	(304 997)	-0.35%
Expenditure by Type				
Employee related costs	(36 916 059)	(40 148 000)	3 231 941	-8 05%
Remuneration of councillors	(3 566 662)	(3 800 000)	233 338	-6 14%
Debt Impairment	(100 000)	-	(100 000)	-
Depreciation & asset impairment	(4 372 719)	(1 656 000)	(2 716 719)	164 05%
Finance charges	(1 729 689)	(250 000)	(1 479 689)	591 88%
Actual Losses	(340 504)	-	(340 504)	100 00%
Other materials	(1 025 035)	-	(1 025 035)	-
Transfers and grants	(76 626 158)	(22 587 129)	(54 039 029)	239 25%
Other expenditure	(19 148 865)	(18 350 000)	(798 865)	4 35%
Loss on disposal of PPE	(1 345 993)	-	(1 345 993)	100 00%
Total Expenditure	(142 853 204)	(86 791 129)	(56 062 075)	64.59%
Surplus/(Deficit) for the year	(56 367 315)	(243)	(56 367 072)	
Details of material variances				
Refer to appendix E(1) for deviations				

42.2 Operational Budget by Standard Classification

Revenue - Standard

Governance and Administration	75 313 007	62 983 300	12 329 707	19 58%
Executive and council	27 245 944	10 580 300	16 665 644	157 52%
Budget and Treasury Office	47 554 413	51 994 000	(4 439 587)	-8 54%
Corporate Services	512 649	409 000	103 649	25 34%
Community and Public Safety	4 842 361	14 318 648	(9 476 287)	-66 18%
Community and Social Services	237 399	268 000	(30 601)	-11 42%
Sport and Recreation	-	7 000 000	(7 000 000)	-100 00%
Public Safety	930 923	794 000	136 923	17 24%
Housing	3 674 040	6 248 648	(2 574 608)	-41 20%
Health	-	8 000	(8 000)	-100 00%
Economic and Environmental Services	7 941 770	9 488 938	(1 547 168)	-16 30%
Planning and Development	49 014	7 490 000	(7 440 986)	-99 35%
Road Transport	7 892 755	1 998 938	5 893 817	294 85%
Trading Services	707 232	-	707 232	100 00%
Water	707 232	-	707 232	100 00%
Total Revenue	88 804 369	86 790 886	2 013 483	2.32%

Expenditure - Standard

Governance and Administration	(116 427 259)	(45 552 204)	(70 875 055)	155 59%
Executive and council	(95 974 888)	(25 931 203)	(70 043 685)	270 11%
Budget and Treasury Office	(10 024 486)	(7 780 001)	(2 244 485)	28 85%
Corporate Services	(10 427 886)	(11 841 000)	1 413 114	-11 93%
Community and Public Safety	(11 871 942)	(10 149 036)	(1 722 906)	16 98%
Community and Social Services	(5 862 579)	(571 000)	(5 291 579)	926 72%
Public Safety	(2 627 493)	(1 901 036)	(726 457)	38 21%
Housing	(3 381 870)	(1 881 000)	(1 500 870)	79 79%
Health	-	(5 796 000)	5 796 000	-100 00%
Economic and Environmental Services	(16 165 250)	(31 089 889)	14 924 639	-48 00%
Planning and Development	(6 682 954)	(12 355 631)	5 672 677	-45 91%
Road Transport	(9 482 297)	(4 664 314)	(4 817 983)	103 29%
Environmental Protection	-	(14 069 944)	14 069 944	-100 00%
Trading Services	(707 232)	-	(707 232)	100 00%
Water	(707 232)	-	(707 232)	100 00%
Total Expenditure	(145 171 684)	(86 791 129)	(58 380 555)	67.27%
Surplus/(Deficit) for the year	(56 367 315)	(243)	(56 367 072)	

Details of material variances

Refer to appendix E(1) for deviations

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
42.3 Capital Expenditure by Standard Classification				
Governance and Administration				
Executive and council	269 556	170 000	99 556	58 56%
Budget and Treasury Office	735 566	110 000	625 566	568 70%
Corporate Services	-	770 000	(770 000)	-100 00%
Community and Public Safety				
Community and Social Services	19 668 453	-	19 668 453	
Public Safety	-	642 000	(642 000)	-100 00%
Housing	-	10 000	(10 000)	-100 00%
Economic and Environmental Services				
Planning and Development	-	20 000	(20 000)	-100 00%
Other	138 471	-	138 471	
Total Capital Expenditure	20 812 046	1 722 000	19 090 046	1108.60%

Details of material variances

Refer to appendix E(2) for deviations

42.4 Operational Budget by Municipal Vote**Revenue - Vote**

Office of Municipal Manager	3 121 017	3 062 000	59 017	1 93%
Office of MM	6 742	8 000	(1 258)	-15 72%
IDP/PMS Unit	5 335	5 000	335	6 71%
Internal Audit Unit	2 518 647	2 254 000	264 647	11 74%
MSIG	590 180	790 000	(199 820)	-25 29%
Risk Management Unit	113	5 000	(4 887)	-97 74%
Office of Executive Mayor and Speaker	24 124 927	7 518 000	16 606 927	220 90%
Office of Executive Mayor and Speaker	24 124 927	1 518 000	22 606 927	1489 26%
Contracted Services in DMA	-	6 000 000	(6 000 000)	-100 00%
Budget and Treasury Office	47 554 413	51 929 500	(4 375 087)	-8 43%
Budget and Treasury Office	21 692 988	20 905 500	787 488	3 77%
Finance Management Grant	1 080 425	1 160 000	(79 575)	-6 86%
Levy Replacement Grant	24 781 000	29 864 000	(5 083 000)	-17 02%
HR and Corporate Services	512 649	408 613	104 036	25 46%
Corporate Services	317 909	216 613	101 296	46 76%
Vanzylisrus DMA	2 740	-	2 740	100 00%
Library Development Programme	192 000	192 000	-	0 00%
Community Development Services	1 168 321	1 061 508	106 813	10 06%
Environmental Health	14 125	8 000	6 125	76 56%
Water Monitoring	-	260 000	(260 000)	-100 00%
Farm Thwane	223 274	-	223 274	100 00%
Near Systems	416 115	278 700	137 415	49 31%
Fire Grant	514 808	514 808	-	0 00%
Basic Services and Infrastructure	12 274 027	22 434 265	(10 160 238)	-45 29%
PMU	489 399	1 050	488 349	46509 44%
Housing Unit	3 674 040	6 323 221	(2 649 181)	-41 90%
Basic Services and Infrastructure	-	150 000	(150 000)	-100 00%
Mig	707 232	-	707 232	100 00%
Roads	9 541	-	9 541	100 00%
Rural Transport and Infrastructure	745 173	1 503 000	(757 827)	-50 42%
JTGDM Projects	6 583 642	7 343 994	(760 352)	-10 35%
EPWP Incentive	65 000	7 113 000	(7 048 000)	-99 09%
Development and Planning	49 014	377 000	(327 986)	-87 00%
LED	49 014	377 000	(327 986)	-87 00%
Total Revenue	88 804 369	86 790 886	2 013 483	2.32%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
Expenditure - Vote				
Office of Municipal Manager	(7 350 849)	(9 951 197)	2 600 348	-26 13%
Office of MM	(1 958 492)	(2 268 000)	309 508	-13 65%
IDP/PMS Unit	(1 274 318)	(1 761 000)	486 682	-27 64%
Internal Audit Unit	(2 727 204)	(4 000 251)	1 273 047	-31 82%
MSIG	(590 180)	(790 000)	199 820	-25 29%
Risk Management Unit	(800 655)	(1 131 946)	331 291	-29 27%
Office of Executive Mayor and Speaker	(88 624 039)	(15 979 420)	(72 644 619)	454 61%
Office of Executive Mayor and Speaker	(88 624 039)	(9 979 420)	(78 644 619)	788 07%
Contracted Services in DMA	-	(6 000 000)	6 000 000	-100 00%
Budget and Treasury Office	(10 024 486)	(7 780 372)	(2 244 114)	28 84%
Budget and Treasury Office	(8 944 060)	(6 620 372)	(2 323 688)	35 10%
Finance Management Grant	(1 080 425)	(1 160 000)	79 575	-6 86%
HR and Corporate Services	(10 427 886)	(11 841 000)	1 413 114	-11 93%
Corporate Services	(10 238 116)	(11 649 000)	1 410 884	-12 11%
Library Development Programme	(189 770)	(192 000)	2 230	-1 16%
Community Development Services	(8 490 072)	(10 149 337)	1 659 265	-16 35%
Environmental Health	(5 065 483)	(5 796 043)	730 560	-12 60%
Water Monitoring	(149 628)	(260 000)	110 373	100 00%
Farm Thwane	(223 274)	-	(223 274)	-
Disaster Management	(1 097 450)	(2 853 686)	1 756 236	-61 54%
Transversal Programmes	(424 195)	(310 800)	(113 395)	36 48%
Near Systems	(1 520 543)	(414 000)	(1 106 543)	267 28%
Fire Grant	(9 500)	(514 808)	505 308	-98 15%
Basic Services and Infrastructure	(13 571 399)	(24 785 837)	11 214 438	-45 25%
PMU	(1 872 041)	(3 400 968)	1 528 927	-44 96%
Housing Unit	(3 381 870)	(5 274 500)	1 892 630	-35 88%
Basic Services and Infrastructure	(206 080)	(150 000)	(56 080)	100 00%
Mig	(707 232)	-	(707 232)	100 00%
Rural Transport and Infrastructure	(745 173)	(1 503 894)	758 721	-50 45%
JTGDM Projects	(6 594 002)	(7 343 475)	749 473	-10 21%
EPWP Incentive	(65 000)	(7 113 000)	7 048 000	-99 09%
Development and Planning	(6 682 954)	(6 303 966)	(378 988)	6 01%
LED	(6 682 954)	(6 303 966)	(378 988)	6 01%
Total Expenditure	(145 171 684)	(86 791 129)	(58 380 555)	67 27%
Surplus/(Deficit) for the year	(56 367 315)	(243)	(56 367 072)	

Details of material variances

Refer to appendix E(1) for deviations

43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**43.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance	7 513 495	7 386 130
Unauthorised expenditure current year - operational	75 267 720	127 365
Unauthorised expenditure current year - capital	-	-
Approved by Council or condoned	(77 194 092)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	5 587 123	7 513 495

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget	None

43.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	766 435	724 886
Fruitless and wasteful expenditure current year	-	41 549
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	766 435	766 435

Incident	Disciplinary steps/criminal proceedings
None	None

	2012 R	2011 R				
43.3 Irregular expenditure						
Reconciliation of irregular expenditure						
Opening balance						
Irregular expenditure current year	61 024 225	-				
Condonement supported by council	465 828	61 024 225				
Transfer to receivables for recovery - not condoned	(465 828)	-				
	-	-				
Irregular expenditure awaiting further action	<u>61 024 225</u>	<u>61 024 225</u>				
Irregular expenditure awaiting condonement from National Treasury	<u>61 024 225</u>	<u>61 024 225</u>				
<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Non compliance with SCM Regulations - Suppliers have not declared their business interest on SCM registration forms</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Non compliance with SCM Regulations - Suppliers have not declared their business interest on SCM registration forms	None		
Incident	Disciplinary steps/criminal proceedings					
Non compliance with SCM Regulations - Suppliers have not declared their business interest on SCM registration forms	None					
Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA No steps have been taken at this stage to recover any monies						
44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT						
44.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)						
Opening balance	-	-				
Council subscriptions						
Amount paid - current year	439 381	244 611				
Amount paid - previous years	(439 381)	(244 611)				
	-	-				
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>				
44.2 Audit fees - [MFMA 125 (1)(c)]						
Opening balance	-	-				
Current year audit fee						
External Audit - Auditor-General	3 060 854	1 497 509				
Internal Audit	3 046 511	1 493 984				
Audit Committee	14 343	3 525				
Amount paid - current year	(3 060 854)	(1 497 509)				
Amount paid - previous year	-	-				
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>				
44.3 VAT - [MFMA 125 (1)(c)]						
Opening balance						
Amounts received - current year	2 565 161	2 585 193				
Amounts claimed - current year (payable)	(4 132 348)	(7 039 408)				
Amount paid - current year	3 172 952	7 019 376				
Amount paid - previous year	9 661	-				
	(863 998)	-				
Closing balance	<u>751 428</u>	<u>2 565 161</u>				
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.						
44.4 PAYE and UIF - [MFMA 125 (1)(c)]						
Opening balance	-	-				
Current year payroll deductions	7 170 100	7 774 038				
Amount paid - current year	(7 170 100)	(7 774 038)				
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>				
44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]						
Opening balance	-	-				
Current year payroll deductions and Council Contributions	5 719 633	4 020 991				
Amount paid - current year	(5 719 633)	(4 020 991)				
Amount paid - previous year	-	-				
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>				
44.6 Non-compliance with Chapter 14 of the Municipal Finance Management Act						

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
46. COMMITMENTS		
Commitments in respect of expenditure:		
Approved and contracted for:		
Housing Van Zylsrus	6 466 553	7 322 914
Unspent Grants as per Appendix F	575 000	546 000
	5 891 553	6 776 914
Total	6 466 553	7 322 914

47. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year. The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follows:

1% (2011 1%) Increase in interest rates	302 722	237 979
1% (2011 1%) Decrease in interest rates	(302 722)	(237 979)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

	2012 %	2012 R	2011 %	2011 R
Non-exchange Receivables				
Rates	100.00%	-	100.00%	305 396
Exchange Receivables				
Electricity	0.00%	-	11.56%	607 476
Water	0.00%	-	13.55%	712 215
Refuse	0.00%	-	1.96%	102 861
Sewerage	0.00%	-	1.60%	84 309
Other	100.00%	5 761 744	71.32%	3 747 793
	100.00%	5 761 744	100.00%	5 254 654

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

Receivables from exchange transactions	5 761 744	5 254 653
Receivables from non-exchange transactions	808 035	433 119
Cash and Cash Equivalents	32 836 041	28 118 061
Unpaid Conditional Grants and Subsidies	546 162	-
	<u>39 951 982</u>	<u>33 805 833</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2012				
Long-term Liabilities	344 692	1 529 349	2 111 291	-
Trade and Other Payables	3 205 799	-	-	-
Unspent Conditional Grants and Receipts	6 437 714	-	-	-
	<u>9 988 205</u>	<u>1 529 349</u>	<u>2 111 291</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2011				
Long-term Liabilities	479 173	1 879 768	4 949 764	-
Trade and Other Payables	2 136 211	-	-	-
Unspent Conditional Grants and Receipts	6 710 338	-	-	-
	<u>9 325 722</u>	<u>1 879 768</u>	<u>4 949 764</u>	<u>-</u>

48. FINANCIAL INSTRUMENTS

In accordance with GRAP104 45 the financial liabilities and assets of the municipality are classified as follows:

48.1 Financial Assets	Classification		
Investments			
Fixed Deposits	Financial Instruments at amortised cost	5 246	5 073
Receivables from Exchange Transactions			
Other Debtors	Financial Instruments at amortised cost	5 761 744	5 254 653
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	32 836 041	28 118 061
Call Deposits	Financial Instruments at amortised cost	1 750	1 750
Total Financial Assets		<u>38 604 781</u>	<u>33 379 537</u>

SUMMARY OF FINANCIAL ASSETS**Financial Instruments at amortised cost:**

Investments	Fixed Deposits	5 246	5 073
Receivables from Exchange Transactions	Other Debtors	5 761 744	5 254 653
Cash and Cash Equivalents	Bank Balances	32 836 041	28 118 061
Cash and Cash Equivalents	Call Deposits	1 750	1 750
Total Financial Assets		<u>38 604 781</u>	<u>33 379 537</u>

48.2 Financial Liabilities**Classification**

Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	2 498 751	4 292 529
Trade and Other Payables			
Trade Creditors	Financial Instruments at amortised cost	2 882 572	2 136 211
Payments received in advance	Financial Instruments at amortised cost	299 372	286 456
		<u>5 680 695</u>	<u>6 715 196</u>

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012	2011
		R	R
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Annuity Loans	2 498 751	4 292 529
Trade and Other Payables	Trade Creditors	2 882 572	2 136 211
Trade and Other Payables	Payments received in advance	299 372	286 456
		<u>5 680 695</u>	<u>6 715 196</u>
49. EVENTS AFTER THE REPORTING DATE			
The Municipality is not aware of any events after the reporting date			
50. CONTINGENT LIABILITY			
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates			
Severance Benefit - BM Olivier		6 000 000	6 000 000
Arrear Salary - KW Molete		53 141	53 141
Total Contingent Liabilities		<u>6 053 141</u>	<u>6 053 141</u>
51. RELATED PARTIES			
Compensation of key management personnel			
The compensation of key management personnel is set out in note 26 to the Annual Financial Statements			
52. GOING CONCERN			
Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution			

APPENDIX A
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012
ANNUITY LOANS							
DBSA	8.85%	NC 101797		1 650 843	-	1 650 843	-
DBSA	9.64%	NC 102567		2 641 686	-	142 935	2 498 751
Total Annuity Loans				4 292 529	-	1 793 778	2 498 751
LEASE LIABILITY							
Office Equipment	9.33%	Various		32 700	91 286	53 631	70 355
Total Lease Liabilities				32 700	91 286	53 631	70 355
TOTAL EXTERNAL LOANS				4 325 229	91 286	1 847 409	2 569 106

APPENDIX B
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost/Revaluation				Accumulated Depreciation								
	Opening Balance	Correction of Error	Additions	Transfers to Investment Properties	Disposals	Closing Balance	Opening Balance	Correction of Error	Additions	Transfers to Investment Properties	Disposals	Closing Balance	Carrying Value
Land and Buildings													
Land	3 092 300	-	-	(765 000)	(97 300)	2 230 000	-	-	-	-	-	-	2 230 000
Buildings	11 659 603	-	-	(953 378)	(2 656 382)	8 049 843	4 285 040	-	191 107	(86 858)	(1 312 818)	3 076 471	4 973 372
	14 751 903	-	-	(1 718 378)	(2 753 682)	10 279 843	4 285 040	-	191 107	(86 858)	(1 312 818)	3 076 471	7 203 372
Infrastructure													
Drains	80 424 651	-	-	-	(80 424 651)	-	7 154 091	-	1 144	-	(7 155 235)	-	-
Roads and Streets	-	-	-	-	-	-	-	-	-	-	-	-	-
Beach Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
	80 424 651	-	-	-	(80 424 651)	-	7 154 091	-	1 144	-	(7 155 235)	-	-
Community Assets													
Parks and Gardens	21 083 000	-	-	-	(2 237 000)	18 846 000	41 379	-	13 829	-	-	55 208	18 790 792
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
	21 083 000	-	-	-	(2 237 000)	18 846 000	41 379	-	13 829	-	-	55 208	18 790 792
	19 750	-	-	-	-	19 750	-	-	-	-	-	-	-
Heritage Assets													
	116 279 304	-	-	(1 718 378)	(85 415 333)	29 145 593	11 480 510	-	206 080	(86 858)	(8 468 053)	3 131 679	26 013 914
Total carried forward													

APPENDIX B
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost/Revaluation				Accumulated Depreciation							Carrying Value	
	Opening Balance	Correction of Error	Additions	Transfers to Investment Properties	Disposals	Closing Balance	Opening Balance	Correction of Error	Additions	Transfers to Investment Properties	Disposals		Closing Balance
Total brought forward	116 279 304	-	-	(1 718 378)	(85 415 333)	29 145 593	11 480 510	-	206 080	(86 858)	(8 468 053)	3 131 679	26 013 914
Lease Assets	61 062	1 492	91 286	-	-	153 840	33 601	5 023	44 870	-	-	83 494	70 346
Office Equipment (Lease)													
Other Assets	9 498 186	2 159 803	20 720 760	-	(1 798 663)	30 580 086	6 083 754	(265 652)	3 985 422	-	(1 136 162)	8 667 362	21 912 724
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse Tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Councillors Regalia	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy Tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Water crafts	-	-	-	-	-	-	-	-	-	-	-	-	-
	9 498 186	2 159 803	20 720 760	-	(1 798 663)	30 580 086	6 083 754	(265 652)	3 985 422	-	(1 136 162)	8 667 362	21 912 724
Total	125 838 552	2 161 295	20 812 046	(1 718 378)	(87 213 996)	59 879 519	17 597 865	(260 629)	4 236 372	(86 858)	(9 604 215)	11 882 535	47 996 984

APPENDIX C
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation				Accumulated Depreciation							Carrying Value	
	Opening Balance	Correction of Error	Additions	Transfers to Investment Properties	Disposals	Closing Balance	Opening Balance	Correction of Error	Additions	Transfers to Investment Properties	Disposals		Closing Balance
Executive & Council	3 115 541	-	269 556	(1 718 378)	-	1 667 719	649 632	-	829 611	-	-	1 479 243	188 476
Budget & Treasury Office	5 412 819	-	735 566	-	-	6 148 385	3 567 227	-	1 298 675	-	-	4 865 902	1 282 483
Corporate Services	335 797	-	-	-	-	335 797	-	-	-	-	-	-	335 797
Planning & Development	374 673	-	-	-	-	374 673	245 837	-	86 743	-	-	332 580	42 093
Health	-	-	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	1 275 057	2 161 295	19 668 453	-	-	23 104 805	798 832	(260 629)	28 356	(86 858)	2 487 018	2 966 719	20 138 086
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport	87 213 996	-	-	-	(87 213 996)	-	11 550 273	-	540 960	-	(12 091 233)	-	-
Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	28 109 669	-	138 471	-	-	28 248 140	786 064	-	1 452 027	-	-	-	-
	125 838 552	2 161 295	20 812 046	(1 718 378)	(87 213 996)	59 879 519	17 597 865	(260 629)	4 236 372	(86 858)	(9 604 215)	2 238 091	26 010 049
												11 882 535	47 996 984

APPENDIX D
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
12 636 029	19 335 835	(6 699 805)	Executive & Council	27 245 944	95 974 888	(68 728 944)
49 216 334	7 108 622	42 107 712	Budget & Treasury Office	47 554 413	10 024 486	37 529 928
2 857 693	13 632 405	(10 774 712)	Corporate Services	512 649	10 427 886	(9 915 237)
21 004	5 476 620	(5 455 616)	Planning & Development	49 014	6 682 954	(6 633 939)
-	-	-	Health	-	-	-
161 304	6 183 040	(6 021 737)	Community & Social Services	237 399	5 862 579	(5 625 181)
6 524 256	6 543 667	(19 411)	Housing	3 674 040	3 381 870	292 170
912 986	2 866 872	(1 953 886)	Public Safety	930 923	2 627 493	(1 696 570)
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
516 087	704 248	(188 161)	Waste Management	-	-	-
788 891	667 657	121 235	Waste Water Management	-	-	-
35 255 300	34 303 365	951 935	Road Transport	7 892 755	9 482 297	(1 589 541)
25 187 010	24 724 535	462 475	Water	707 232	707 232	-
5 500 308	7 778 193	(2 277 884)	Electricity	-	-	-
-	-	-	Other	-	-	-
139 577 203	129 325 058	10 252 145	Sub Total	88 804 369	145 171 684	(56 367 314)
-	-	-	Less Inter-Departmental Charges	-	-	-
139 577 203	129 325 058	10 252 145	Total	88 804 369	145 171 684	(56 367 314)

APPENDIX E(1)
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	-	-	-	0.00%	
Government Grants and Subsidies	60 781 506	75 662 835	(14 881 329)	-19.67%	More Grants received than was budgeted
Public Contributions and Donations	-	-	-	0.00%	
Contributed PPE	19 513 714	-	19 513 714	0.00%	
Fines	-	-	-	0.00%	
Third Party Payments	-	-	-	0.00%	
Actuarial gains	-	-	-	0.00%	
Dividends received	-	-	-	0.00%	
Property rates - Penalties & Collection Charges	-	-	-	0.00%	
Service Charges	-	-	-	0.00%	
Water Services Authority Contribution	-	-	-	0.00%	
Rental of Facilities and Equipment	118 484	40 000	78 484	196.21%	More received than was budgeted
Interest Earned - External Investments	1 787 406	1 000 000	787 406	78.74%	More received than was budgeted
Interest Earned - Outstanding Receivables	-	-	-	0.00%	
Licences and Permits	-	-	-	0.00%	
Agency Services	-	-	-	0.00%	
Other Income	4 278 338	3 421 020	857 318	25.06%	More received than was budgeted
Unamortised discount - Interest	-	-	-	0.00%	
Gains on Disposal of PPE	6 441	-	6 441	0.00%	Not budgeted
Reversal of Impairment Loss	-	-	-	0.00%	Not budgeted
Changes in Fair Value	2 318 480	-	2 318 480	0.00%	
Inventory: Reversal of write-down to Net Realisable Value	-	-	-	0.00%	
Total Revenue	88 804 369	80 123 855	8 680 514	10.83%	
EXPENDITURE					
Executive & Council	95 974 888	18 780 796	77 194 092	411.03%	Transfer of assets not budgeted
Budget & Treasury Office	10 024 486	7 593 225	2 431 261	32.02%	Auditfees and Depreciation overspend
Corporate Services	10 427 886	11 840 590	(1 412 704)	-11.93%	Vacant post of HOD
Planning & Development	6 682 954	6 052 559	630 395	10.42%	
Health	-	-	-	0.00%	
Community & Social Services	5 862 579	6 357 809	(495 230)	-7.79%	
Housing	3 381 870	4 925 959	(1 544 089)	-31.35%	Expenditure budgeted for not paid out
Public Safety	2 627 493	3 785 194	(1 157 701)	-30.58%	Expenditure budgeted for not paid out
Sport & Recreation	-	-	-	0.00%	
Environmental Protection	-	-	-	0.00%	
Waste Management	-	-	-	0.00%	
Waste Water Management	-	-	-	0.00%	
Road Transport	9 482 297	19 277 862	(9 795 565)	-50.81%	Transfer of assets not budgeted
Water	707 232	-	707 232	0.00%	
Electricity	-	-	-	0.00%	
Less: Interdepartmental Charges	-	-	-	0.00%	
Total Expenditure	145 171 684	78 613 994	66 557 690	84.66%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(56 367 314)	1 509 861	(57 877 175)	-3833.28%	

APPENDIX E (2)
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual	2012 Under Construction	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	269 556	-	269 556	170 000	99 556	58.56%	Budget transfer to BTO to replace servers
Budget & Treasury Office	735 566	-	735 566	110 000	625 566	568.70%	Budget transfer from Corp to replace servers
Corporate Services	-	-	-	770 000	(770 000)	-100.00%	Budget transfer to BTO to replace servers
Planning & Development	-	-	-	20 000	(20 000)	-100.00%	No capital expenditure
Health	-	-	-	-	-	0.00%	
Community & Social Services	19 668 453	-	19 668 453	-	19 668 453	100.00%	Donation from NCPG not budgeted
Housing	-	-	-	10 000	(10 000)	-100.00%	No capital expenditure
Public Safety	-	-	-	642 000	(642 000)	-100.00%	No capital expenditure
Sport & Recreation	-	-	-	-	-	0.00%	
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	-	-	-	-	-	0.00%	
Waste Water Management	-	-	-	-	-	0.00%	
Road Transport	-	-	-	-	-	0.00%	
Water	-	-	-	-	-	0.00%	
Electricity	-	-	-	-	-	0.00%	
Other	138 471	-	138 471	-	138 471	100.00%	Budget transfer to BTO to replace servers
Total	20 812 046	-	20 812 046	1 722 000	19 090 046	11.08597329	

APPENDIX F
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2011	Correction of Error	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2012	Unspent 30 June 2012 (Creditor)	Unpaid 30 June 2012 (Debtor)
National Government Grants										
Municipal Systems Improvement	900 313	-	790 000	-	-	(590 180)	-	1 100 133	1 100 133	-
Equitable Share	-	-	45 856 000	-	-	(45 856 000)	-	-	-	-
Finance Management	41 736	-	1 250 000	-	-	(1 080 425)	-	211 311	211 311	-
Depart of Water Affairs (Green and Blue Drop)	(400 000)	400 000	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	707 232	-	-	-	-	(707 232)	-	-	-	-
Total National Government Grants	1 249 281	400 000	47 896 000	-	-	(48 233 837)	-	1 311 444	1 311 444	-
Provincial Government Grants										
Housing Accreditation	1 076 520	-	1 883 333	-	4 670	(1 614 116)	-	1 350 407	1 350 407	-
Library	-	-	192 000	-	-	(192 000)	-	-	-	-
Near Grant	-	-	391 000	-	-	(391 000)	-	-	-	-
Fire Grant	143 808	-	371 000	-	-	(514 808)	-	-	-	-
School Sanitation	(89 770)	89 770	-	-	-	-	-	-	-	-
Fencing of Roads: Candlen & Bendel	(1 282 436)	1 282 436	-	-	-	-	-	-	-	-
Housing Project: Vanzylsus	1 757 647	-	1 927 041	-	-	(1 986 819)	-	1 697 869	1 697 869	-
Taxi Ranks	(257 974)	257 974	-	-	-	-	-	-	-	-
Debushing	-	-	-	-	-	-	-	-	-	-
EPWP Incentive Grant	65 000	-	-	-	-	-	-	-	-	(226 147)
Bathharos Paving	343 994	-	-	-	-	(291 147)	-	(226 147)	-	-
Transport	(1 006 688)	1 006 688	-	-	-	-	-	343 994	343 994	-
Rural Transport	1 503 894	-	-	-	-	(745 173)	-	758 721	758 721	-
Vanzylsus Sportfield	-	-	7 000 000	-	-	(6 248 350)	-	751 650	751 650	-
Total Provincial Government Grants	2 253 995	2 636 868	11 764 374	-	4 670	(11 983 413)	-	4 676 494	4 902 641	(226 147)
Other Grant Providers										
HIV AIDS Council	165 013	-	-	-	-	(13 650)	-	151 363	151 363	-
Commonage Farms	(96 741)	-	-	-	-	(223 274)	-	(320 015)	-	(320 015)
Joe Morolong Water Monitoring	5 181	-	399 088	-	-	(332 002)	-	72 267	72 267	-
Total Other Grant Providers	73 453	-	399 088	-	-	(568 926)	-	(96 385)	223 630	(320 015)
Total Grants	3 576 729	3 036 868	60 059 462	-	4 670	(60 786 176)	-	5 891 553	6 437 715	(546 162)

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.